

Message Text

UNCLASSIFIED

PAGE 01 PARIS 20184 100111Z

12

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 /102 W

----- 087125

R 092253Z JUL 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2859

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

UNCLAS PARIS 20184

PASS TREASURY, FEDERAL RESERVE, COMMERCE

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: INSEE FORESEES MORE RAPID INFLATION,
SLOWER GROWTH

1. SUMMARY: THE INSEE'S MOST RECENT FORECAST ENVISIONS A MORE RAPID INFLATION, ABOUT 11 PERCENT, AND A SLOWER REAL GROWTH RATE, AT OR SLIGHTLY BELOW 5 PERCENT IN REAL TERMS FOR 1976. THIS IS FIRST OFFICIAL REVISION OF 1976 FORECAST AND FIRST ADMISSION THAT INFLATION RATE WILL PROBABLY EXCEED 10 PERCENT RATE THIS YEAR. END SUMMARY.

2. CONCERNS ABOUT INFLATION AND UNEMPLOYMENT DOMINATE THE INSEE REPORT PUBLISHED YESTERDAY. INSEE NOTED THAT INFLATION RESUMED WITH THE UPTURN LAST FALL AND THAT SINCE THEN PRICES HAVE BEEN UNDER PRESSURE BECAUSE OF UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PARIS 20184 100111Z

WAGE INCREASES AND ATTEMPTS TO IMPROVE PROFIT MARGINS

BY INDUSTRY. WHILE AVOIDING A PRECISE ESTIMATE, A RATE OF INFLATION OF ABOUT 11 PERCENT IS INDICATED BY THIS REPORT.

3. NO UNDERLYING IMPROVEMENT IN UNEMPLOYMENT IS FORESEEN IN THE COMING MONTHS PARTLY BECAUSE OF A "MODERATE" RISE OF INVESTMENT ESTIMATED AT 6 PERCENT IN NOMINAL TERMS FOR 1976. IN REAL TERMS THIS WOULD BE NEGATIVE BY ABOUT 2 PERCENT. DEMAND FOR NEW EMPLOYMENT HAS BEEN MORE OR LESS STABLE FOR SOME TIME AND IS UNLIKELY TO RISE WITHOUT NEW INVESTMENT.

4. THE RATE OF GROWTH OF INDUSTRIAL PRODUCTION WILL CHANGE FROM THE CURRENT 10 PERCENT ANNUAL RATE TO 6 PERCENT IN THE COMING MONTHS. THIS WOULD REPRESENT A RETURN TO THE MORE OR LESS NORMAL LONG TERM GROWTH TREND.

5. HOUSEHOLD CONSUMPTION HAS STABILIZED AFTER A FAIRLY SHARP RECOVERY IN THE SECOND HALF OF 1975 AND IS NOT EXPECTED TO RISE ABOVE THE CURRENT 4 PERCENT ANNUAL RATE UNTIL THE CLOSING MONTHS OF THE YEAR, IF THEM. BEFORE THE 1974-75 RECESSION HOUSEHOLD CONSUMPTION GREW AT AN AVERAGE ANNUAL RATE OF ABOUT 5 PERCENT.

6. THE PRODUCTION OF INTERMEDIATE GOODS ROSE SHARPLY THROUGH APRIL AND INSEE EXPECTS THIS TO CONTINUE FOR SOME MONTHS BUT NOTES THAT THE LEVEL OF SUCH PRODUCTION IS MID-WAY BETWEEN THE HIGH POINT OF THE SUMMER OF 1974 AND THE LOW POINT OF THE SUMMER OF 1975. THE CONCLUSION IS THAT ORDERS DO NOT REFLECT RESTOCKING OF INVENTORIES AND THAT PRODUCTION WILL REFLECT FINAL DEMAND ONLY DURING THE COMING MONTHS.

7. CAPITAL GOODS PRODUCTION AFTER A SPURT EARLY IN THE YEAR RELATED TO ORDERS PLACED TO QUALIFY FOR INVESTMENT INCENTIVES THAT EXPIRED DECEMBER 31, 1975, HAVE FALLEN OFF RECENTLY TO THE LOW LEVEL OF LAST WINTER.
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PARIS 20184 100111Z

NO REAL UPSWING IS FORESEEN FOR THE REST OF THE YEAR.

8. PUBLIC WORKS AND INVESTMENT CONTINUE TO RISE BUT REMAIN BELOW THE LEVELS OF 1973-74. A CONTINUED RISE IS ASSURED BUT AT A MODERATE RATE BECAUSE ORDERS UNDER THE ECONOMIC SUPPORT PLAN INITIATED LAST SEPTEMBER HAVE JUST ABOUT WORKED THEIR WAY THROUGH THE ECONOMY.

9. THIS RELATIVELY SOBER FORECAST WITH ITS STRESS ON INFLATION AND UNEMPLOYMENT MAY INDICATE A CHANGE IN GOF ECONOMIC POLICY IN THE FALL, POSSIBLY SOME COMBINATION OF RELATIVELY TIGHTER MONETARY POLICY TO COMBAT INFLATION COMBINED WITH SOME FORM OF INCOMES POLICY DESIGNED TO DEAL WITH UNEMPLOYMENT, PROFIT MARGINS AND PRICES. NO MENTION WAS MADE OF THE DROUGHT IN THIS REPORT, BUT IT ALSO COULD BE USED TO JUSTIFY CHANGES IN ECONOMIC POLICY. IN ANY EVENT, THE PREVISION OF THE MINISTRY OF ECONOMY AND FINANCE HAS CHANGED ITS TUNE CONSIDERABLY.
RUSH

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, UNEMPLOYMENT, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PARIS20184
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760266-0837
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760774/aaaacmuh.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: schwenja
Review Comment: n/a
Review Content Flags:
Review Date: 27 FEB 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 FEB 2004 by ThomasVJ>; APPROVED <11 AUG 2004 by schwenja>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INSEE FORESEES MORE RAPID INFLATION, SLOWER GROWTH
TAGS: EFIN, ECON, FR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006